

**Greater Gratiot Development, Inc.**

**Financial Statements**

**September 30, 2016 and 2015**

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## **Independent Accountants' Review Report**

Board of Directors  
Greater Gratiot Development, Inc.  
Ithaca, Michigan

We have reviewed the accompanying financial statements of Greater Gratiot Development, Inc. (not-for-profit), which comprise the statement of financial position as of September 30, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

**Supplementary Information**

The accompanying supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and, accordingly, do not express an opinion on such information.

*Yeo & Yeo, P.C.*

Alma, Michigan  
February 17, 2017

**Greater Gratiot Development, Inc.**  
**Statement of Financial Position**  
**September 30, 2016 and 2015**

	2016			2015		
	Operating Fund	Revolving Loan Fund	Total	Operating Fund	Revolving Loan Fund	Total
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 389,360	\$ 869,430	\$ 1,258,790	\$ 350,086	\$ 818,344	\$ 1,168,430
Restricted cash - Brownfield redevelopment	2,427	-	2,427	2,427	-	2,427
Accrued interest receivable	-	2,048	2,048	-	1,490	1,490
Notes receivable, current portion	15,772	-	15,772	15,190	-	15,190
Loans receivable, current portion	-	139,518	139,518	-	108,194	108,194
Prepaid expenses	1,776	-	1,776	-	-	-
<b>Total current assets</b>	<b>409,335</b>	<b>1,010,996</b>	<b>1,420,331</b>	367,703	928,028	1,295,731
Notes receivable, net of current portion	378,447	-	378,447	389,289	-	389,289
Loans receivable, net of current portion	-	393,712	393,712	-	452,070	452,070
Investments	-	-	-	1,010	-	1,010
Property and equipment, net	110,265	-	110,265	100,359	-	100,359
<b>Total assets</b>	<b>\$ 898,047</b>	<b>\$ 1,404,708</b>	<b>\$ 2,302,755</b>	<b>\$ 858,361</b>	<b>\$ 1,380,098</b>	<b>\$ 2,238,459</b>

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

**Greater Gratiot Development, Inc.**  
**Statement of Financial Position**  
**September 30, 2016 and 2015**

	2016			2015		
	Operating Fund	Revolving Loan Fund	Total	Operating Fund	Revolving Loan Fund	Total
<b>Liabilities and Net Assets</b>						
Current liabilities						
Accounts payable	\$ 1,014	\$ -	\$ 1,014	\$ 3,429	\$ -	\$ 3,429
Salaries payable	-	-	-	6,630	-	6,630
Accrued liabilities	24,009	-	24,009	17,887	-	17,887
Total liabilities	25,023	-	25,023	27,946	-	27,946
Net Assets						
Unrestricted						
Designated for loans	-	1,404,708	1,404,708	-	1,380,098	1,380,098
Undesignated	870,597	-	870,597	827,988	-	827,988
Total unrestricted net assets	870,597	1,404,708	2,275,305	827,988	1,380,098	2,208,086
Temporarily restricted net assets	2,427	-	2,427	2,427	-	2,427
Total net assets	873,024	1,404,708	2,277,732	830,415	1,380,098	2,210,513
<b>Total liabilities and net assets</b>	<b>\$ 898,047</b>	<b>\$ 1,404,708</b>	<b>\$ 2,302,755</b>	<b>\$ 858,361</b>	<b>\$ 1,380,098</b>	<b>\$ 2,238,459</b>

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

**Greater Gratiot Development, Inc.**  
**Statement of Activities**  
**Years Ended September 30, 2016 and 2015**

	2016				2015			
	Unrestricted Operating Fund	Revolving Loan Fund	Operating Fund Temporarily Restricted	Total	Unrestricted Operating Fund	Revolving Loan Fund	Operating Fund Temporarily Restricted	Total
<b>Support and revenue</b>								
Public support								
Local government	\$ 381,803	\$ -	\$ -	\$ 381,803	\$ 383,280	\$ -	\$ -	\$ 383,280
Donations	42,053	-	-	42,053	17,000	-	-	17,000
Revenues								
Interest	14,810	27,880	-	42,690	12,132	31,763	-	43,895
Lease revenue	-	-	-	-	10,400	-	-	10,400
Brownfield redevelopment	12,904	-	-	12,904	12,866	-	-	12,866
SBA - project referral	930	-	-	930	17,541	-	-	17,541
Gain on sale of property	-	-	-	-	13,490	-	-	13,490
Miscellaneous	-	-	-	-	450	-	-	450
Total unrestricted revenue	<u>452,500</u>	<u>27,880</u>	<u>-</u>	<u>480,380</u>	<u>467,159</u>	<u>31,763</u>	<u>-</u>	<u>498,922</u>
<b>Expenses</b>								
Program services	264,989	3,270	-	268,259	268,728	31,000	-	299,728
Management and general	144,902	-	-	144,902	139,420	-	-	139,420
Total expenses	<u>409,891</u>	<u>3,270</u>	<u>-</u>	<u>413,161</u>	<u>408,148</u>	<u>31,000</u>	<u>-</u>	<u>439,148</u>
<b>Change in net assets</b>	<u>42,609</u>	<u>24,610</u>	<u>-</u>	<u>67,219</u>	<u>59,011</u>	<u>763</u>	<u>-</u>	<u>59,774</u>
Net assets - beginning of the year	827,988	1,380,098	2,427	2,210,513	768,977	1,379,335	2,427	2,150,739
<b>Net assets - end of the year</b>	<u>\$ 870,597</u>	<u>\$ 1,404,708</u>	<u>\$ 2,427</u>	<u>\$ 2,277,732</u>	<u>\$ 827,988</u>	<u>\$ 1,380,098</u>	<u>\$ 2,427</u>	<u>\$ 2,210,513</u>

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

**Greater Gratiot Development, Inc.**  
**Statement of Cash Flows**  
**Years Ended September 30, 2016 and 2015**

	2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 67,219	\$ 59,774
Items not requiring cash		
Depreciation	8,874	11,655
Debt forgiveness	-	31,317
Loss on investments	1,010	42
Loss (gain) on sale of property and equipment	2,611	(13,490)
Changes in operating assets and liabilities		
Accrued interest receivable	(558)	1,457
Notes receivable	10,260	7,084
Loans receivable	27,034	99,255
Prepaid expenses	(1,776)	-
Accounts payable	(2,415)	270
Salaries payable	(6,630)	-
Accrued liabilities	6,122	(7,923)
Net cash provided by operating activities	111,751	189,441
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(21,391)	(25,381)
<b>Cash flows from financing activities</b>		
Payments on capital lease	-	(4,961)
Change in cash and cash equivalents	90,360	159,099
Cash and cash equivalents, beginning of year	1,170,857	1,011,758
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,261,217</b>	<b>\$ 1,170,857</b>
<b>Statement of Financial Position</b>		
Cash and cash equivalents	\$ 1,258,790	\$ 1,168,430
Restricted cash - Brownfield redevelopment	2,427	2,427
	<b>\$ 1,261,217</b>	<b>\$ 1,170,857</b>

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements



**Greater Gratiot Development, Inc.**  
**Statement of Functional Expenses**  
**Years Ended September 30, 2016 and 2015**

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Wages	\$ 160,921	\$ 78,692	\$ 239,613	\$ 157,561	\$ 71,884	\$ 229,445
Payroll taxes	12,823	5,761	18,584	12,978	5,830	18,808
Employee benefits	24,125	22,641	46,766	29,267	25,760	55,027
Total wages and related expenses	<b>197,869</b>	<b>107,094</b>	<b>304,963</b>	199,806	103,474	303,280
Building and equipment upgrade	3,634	3,635	7,269	4,000	2,667	6,667
Capital lease interest and maintenance	-	-	-	2,335	1,557	3,892
Communications	5,199	917	6,116	4,834	853	5,687
Contracted services	4,150	12,894	17,044	4,183	12,622	16,805
Debt forgiveness	-	-	-	31,317	-	31,317
Insurance	-	1,696	1,696	-	1,793	1,793
Loss on disposal of property and equipment	-	2,611	2,611	-	-	-
Loss on investment	-	1,010	1,010	-	42	42
Meals and lodging	1,423	158	1,581	2,391	-	2,391
Meetings	-	987	987	-	427	427
Memberships and subscriptions	1,537	1,538	3,075	1,234	1,235	2,469
Miscellaneous	-	763	763	-	1,040	1,040
Postage	45	137	182	32	291	323
Printing and publications	475	119	594	3,672	-	3,672
Professional Development	9,299	-	9,299	1,851	-	1,851
Promotion and advertising	17,356	-	17,356	18,841	-	18,841
Supplies	1,002	1,002	2,004	2,413	1,609	4,022
Tax chargeback and attorney expenses paid to Gratiot County	-	1,551	1,551	-	1,315	1,315
Travel	15,909	2,807	18,716	11,468	1,867	13,335
Utilities and maintenance	3,262	4,208	7,470	1,614	6,710	8,324
Total expenses before depreciation	<b>261,160</b>	<b>143,127</b>	<b>404,287</b>	289,991	137,502	427,493
Depreciation	7,099	1,775	8,874	9,737	1,918	11,655
<b>Total expenses</b>	<b>\$ 268,259</b>	<b>\$ 144,902</b>	<b>\$ 413,161</b>	<b>\$ 299,728</b>	<b>\$ 139,420</b>	<b>\$ 439,148</b>

See Accompanying Independent Accountants' Review Report and Notes to the Financial Statements

**Greater Gratiot Development, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**

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**Note 1 – Summary of Significant Accounting Policies**

**Nature of Activities**

The purpose of Greater Gratiot Development, Inc. (“Organization”) is to retain, expand, and attract business and industry and to participate in activities which enhance the economic climate within the Gratiot County community. Activities to create jobs and enhance the local tax base are its highest priority. A substantive part of these activities is offering help to new and existing small business in obtaining financing and making low interest loans to industrial and industrial oriented firms. Addressing environmental conditions related to development, expansion, and business location is a substantial activity.

**Basis of Accounting**

The accompanying financial statements are stated on the accrual basis of accounting and have been prepared in accordance with accounting principles generally accepted in the United States of America.

**Donor Imposed Restrictions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management’s estimates. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Organization considers all liquid investments with maturity of three months or less to be cash equivalents. The Organization maintains cash balances at several financial institutions in Michigan. At September 30, 2016, bank deposits amounted to \$1,261,475. Of that amount, \$644,922 was covered by federal depository insurance, \$616,544 was collateralized and \$9 was uninsured and uncollateralized.

Restricted cash includes amounts received that are required to be used for brownfield redevelopment.

**Noncash Transactions**

The Organization sold property and the related building on a land contract during fiscal year 2015. The net book value of the property and building was \$271,511, was been removed from the statement of financial position. The note receivable was initially recorded at \$287,379, and has been included in the statement of financial position.

**Prepaid Expenses**

Payments to vendors for services that will benefit periods beyond the Organization’s fiscal year end are recorded as prepaid expenses.

**Investments**

Investments are presented in the financials statements at fair market value.

**Notes and Loans Receivable**

Notes and loans receivable are carried at unpaid principal balances, less an allowance for losses, when applicable. Past due status is determined based on contractual terms. Notes and loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms.

**Greater Gratiot Development, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**

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The allowance for uncollectible loans is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for uncollectible loans when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay.

Notes and loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts, that the notes or loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual notes and loans is recognized only to the extent cash payments are received.

Interest on notes and loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

**Property and Equipment**

Property and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful life of the assets. The estimate useful life of assets is as follows:

Buildings	20-40 years
Furniture/fixtures	5-15 years

The Organization capitalizes all expenditures in excess of \$2,000 for property and equipment. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the

absence of such stipulations contributions of property and equipment are recorded as unrestricted support.

**Donated Materials and Services**

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services, as no objective basis is available to measure the value of such services.

**Advertising**

The Organization expenses all advertising costs as they are incurred. Total advertising costs for the years ended September 30, 2016 and 2015, were \$17,356 and \$18,841, respectively. Advertising is for promotional purposes, not fundraising.

**Functional Expenses**

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

**Income Taxes**

The Organization is considered an "other than private" foundation and is an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code. The Organization files informational returns in the U.S. federal jurisdiction, and the Michigan jurisdiction.

**Long-Lived Assets**

The Organization evaluated long-lived assets for impairment using the discounted cash flow method whenever events or circumstances indicated that the carrying amount of an asset may not be recoverable in accordance with generally accepted accounting principles in the United States of America.

**Greater Gratiot Development, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**

**Concentrations**

Gratiot County levies a property tax to fund agriculture and economic development within the County. The Organization receives funding from the County through a contract with the Economic Development Corporation of Gratiot County. For the years ending September 30, 2016 and 2015, this funding accounted for 79% and 77%, respectively, of total revenues.

**Subsequent Events**

Management has evaluated subsequent events through February 17, 2017, which is the date the financial statements were available to be issued.

**Note 2 – Investments**

Fair values of assets measured on a nonrecurring basis at September 30, 2016 and 2015, using significant unobservable inputs, are as follows:

**September 30, 2016**

K-1 investment	\$ -
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September 30, 2015

K-1 investment	\$ 1,010
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Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. The investment is valued based on the ending capital account amount reported to the Organization on the annual schedule K-1.

Assets measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3) are as follows:

	2016	2015
Beginning of year	\$ 1,010	\$ 1,052
Total unrealized / realized loss	(1,010)	(42)
End of year	\$ -	\$ 1,010

Losses are included in unrestricted net assets and are reported in the statement of functional expenses as loss on investment.

**Note 3 – Notes Receivable**

The Organization sold property on land contracts. The interest rates charged range from 1% to 9%. All notes receivable are collateralized by liens on the property included in the land contracts. Notes receivable are included in the statement of financial position as follows:

	2016	2015
Notes receivable, current portion	\$ 15,772	\$ 15,190
Notes receivable, net of current portion	378,447	389,289
	\$394,219	\$404,479

Notes receivable are scheduled to be collected as follows:

Year Ended September 30,	Principal
2017	\$ 15,772
2018	18,944
2019	20,326
2020	21,796
2021	20,316
Thereafter	297,065
	\$ 394,219

**Greater Gratiot Development, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**

**Note 4 – Loans Receivable**

The Organization operates a revolving loan fund that lends to new and existing business for the purposes of expansion and job creation in Gratiot County. These current loans are issued for a maximum term of nine years. Interest rates are set by the Board and range from 4.25% to 7.00%. All loans are collateralized by liens on fixed assets and personal guarantees. All principal payments and a board determined percentage of the interest are designated for the purpose of future loans. The majority of loan interest rates are below the going commercial rate.

Loans receivable are included in the statement of financial position as follows:

	2016	2015
Loans receivable, current portion	<b>\$139,518</b>	\$108,194
Loans receivable, net of current portion	<b>393,712</b>	452,070
	<b>\$533,230</b>	\$560,264

Loans receivable are scheduled to be collected as follows:

Year Ended September 30,	Principal
2017	\$ 139,518
2018	75,612
2019	79,354
2020	66,613
2021	62,537
Thereafter	109,596
	<b>\$ 533,230</b>

**Note 5 – Property and Equipment**

Property and equipment is as follows:

	2016	2015
Land	<b>\$ 3,000</b>	\$ 3,000
Buildings	<b>136,705</b>	124,634
Furniture/fixtures	<b>40,900</b>	57,255
	<b>180,605</b>	184,889
Less: accumulated depreciation	<b>(70,340)</b>	(84,530)
Property and equipment, net	<b>\$110,265</b>	\$100,359

**Note 6 – Compensated Absences**

Accumulated sick and vacation time, in which employees have a vested interest, is recognized as an expense when earned. Various policies exist governing paid time off. Those policies are as follows:

Vacation days are earned based on years of service. A maximum of one year of vacation can be carried over into a new year. Sick days are earned at the rate of 12 per year and a maximum accumulation of 60 days is allowed. Upon termination, retirement, or death, accumulated vacation and 50% of accumulated sick time will be paid at the current wage rate.

Annual leave for some full-time employees is provided at 22 base days, and 1 additional day per each additional year of service. The maximum number of leave days allowed is 37. The equivalent of one year's leave allowance may be accrued and carried into the next fiscal year. Employees shall be paid for all earned leave time as calculated on a proration basis.

The President is given an allotted number of leave time days for the period of the contract, and the accumulated leave time that has been earned is to be paid out at a rate specified in the contract.

**Greater Gratiot Development, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**

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The total amounts due for compensated absences as of September 30, 2016 and 2015, were \$19,596 and \$15,699 respectively.

**Note 7 – Pension Plan**

The Organization has a money purchase pension plan covering all full time employees. Contributions to the plan are based on 12.5% of gross wages of all eligible full time employees. The contributions for the years ended September 30, 2016 and 2015, were \$30,024 and \$28,830, respectively.

**Note 8 – Brownfield Redevelopment**

Revenue and expenses were reported in the operating fund as pass through funds from the Brownfield Redevelopment Authority. These funds are to be used for approved project costs only. The activity for 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Beginning of year temporarily restricted net assets	\$ 2,427	\$ 2,427
Brownfield revenue	12,904	12,866
Brownfield expense	<u>(12,904)</u>	<u>(12,866)</u>
End of year temporarily restricted net assets	<u>\$ 2,427</u>	<u>\$ 2,427</u>

**Note 9 – Related Party Transaction**

The Organization loaned funds through the revolving loan fund to two companies which are partially owned by a former member of the Board of Directors. This individual left the Board during the fiscal year ending September 30, 2015. The outstanding loan balances as of September 30, 2016 and 2015, were \$139,457 and \$158,880, respectively.

**Greater Gratiot Development, Inc.**  
**Schedule 1 - Statement of Activities**  
**Operating Fund**  
**Years Ended September 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Public support and revenues</b>		
County of Gratiot - agriculture and economic development millage	<b>\$ 381,803</b>	\$ 383,280
Interest	<b>14,810</b>	12,132
Donations	<b>42,053</b>	17,000
Lease revenue	-	10,400
Brownfield redevelopment	<b>12,904</b>	12,866
SBA - project referral	<b>930</b>	17,541
Gain on sale of property	-	13,490
Miscellaneous income	-	450
	<b>452,500</b>	467,159
 <b>Expenses</b>		
Salaries including performance incentive	<b>239,613</b>	229,445
Payroll taxes	<b>18,584</b>	18,808
Employee benefits	<b>46,766</b>	55,027
Building and equipment upgrade	<b>7,269</b>	6,667
Capital lease interest and maintenance	-	3,892
Communications	<b>6,116</b>	5,687
Conference and training	<b>9,299</b>	1,851
Contracted services	<b>17,029</b>	16,805
Insurance	<b>1,696</b>	1,793
Loss on disposal of property and equipment	<b>2,611</b>	-
Loss on investment	<b>1,010</b>	42
Meals and lodging	<b>1,581</b>	2,391
Meetings	<b>987</b>	427
Memberships and subscriptions	<b>3,075</b>	2,469

See Accompanying Independent Accountants' Review Report

**Greater Gratiot Development, Inc.**  
**Schedule 1 - Statement of Activities**  
**Operating Fund**  
**Years Ended September 30, 2016 and 2015**

	<b>2016</b>	2015
Miscellaneous	\$ 576	\$ 1,040
Postage	182	323
Printing and publications	594	3,672
Promotion and advertising	17,356	18,841
Supplies	2,004	4,022
Tax chargeback and attorney expenses paid to Gratiot County	1,551	1,315
Travel	15,648	13,652
Utilities and maintenance	7,470	8,324
Total expenses before depreciation	401,017	396,493
Depreciation	8,874	11,655
<b>Total expenses</b>	<b>409,891</b>	408,148
<b>Change in net assets</b>	<b>\$ 42,609</b>	\$ 59,011

See Accompanying Independent Accountants' Review Report